

**REPORT OF THE AUDIT OF THE
BALLARD COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
BALLARD COUNTY FISCAL COURT**

June 30, 2011

The Auditor of Public Accounts has completed the audit of the Ballard County Fiscal Court for fiscal year ended June 30, 2011.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Ballard County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$3,615,440 as of June 30, 2011. In its governmental activities as of June 30, 2011, the fiscal court had restricted net assets of \$260,275, assigned net assets of \$597,553 and unassigned net asset of \$238,023 with total net assets of \$3,597,499. In its business-type activities, total net cash and cash equivalents were \$6,982 with total net assets of \$17,941. The fiscal court had total debt principal as of June 30, 2011 of \$2,325,973 with \$526,901 due within the next year.

Report Comments:

- 2011-01 The Fiscal Court Should Properly Account For And Report The Public Properties Corporation Fund
- 2011-02 The Fiscal Court Should Properly Account For And Report The Community Development Block Grant Fund
- 2011-03 The Jailer Has A Lack Of Segregation Of Duties Over Jail Canteen Operations
- 2011-04 The Fiscal Court Should Maintain A Complete And Accurate Schedule Of Capital Assets
- 2011-05 The Fiscal Court Should Submit A Schedule Of Leases And Liabilities To The Department For Local Government
- 2011-06 The Fiscal Court Should Approve All County Employees' Compensation Rates In Accordance With KRS 64.530
- 2011-07 The Fiscal Court Should Publish Annual Financial Statement As Required By KRS 424.220
- 2011-08 The Jailer Should Comply With KRS 441.135 By Properly Accounting For And Reporting Jail Canteen Fund

Deposits:

The Fiscal Court's deposits as of August 31, 2010, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$95,053

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Vickie Viniard, Ballard County Judge/Executive

Members of the Ballard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Ballard County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Ballard County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Vickie Viniard, Ballard County Judge/Executive
Members of the Ballard County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ballard County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements fairly stated in all material respects in relation to the basic financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2012 on our consideration of Ballard County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2011-01 The Fiscal Court Should Properly Account For And Report The Public Properties Corporation Fund
- 2011-02 The Fiscal Court Should Properly Account For And Report The Community Development Block Grant Fund
- 2011-03 The Jailer Has A Lack Of Segregation Of Duties Over Jail Canteen Operations
- 2011-04 The Fiscal Court Should Maintain A Complete And Accurate Schedule Of Capital Assets
- 2011-05 The Fiscal Court Should Submit A Schedule Of Leases And Liabilities To The Department For Local Government

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2011-06 The Fiscal Court Should Approve All County Employees' Compensation Rates In Accordance With KRS 64.530
2011-07 The Fiscal Court Should Publish Annual Financial Statement As Required By KRS 424.220
2011-08 The Jailer Should Comply With KRS 441.135 By Properly Accounting For And Reporting Jail Canteen Fund

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

May 25, 2012

BALLARD COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Vickie Viniard	County Judge/Executive
Delaine Hazelwood	Magistrate
Steve Cooper	Magistrate
Martin Flournoy	Magistrate
Robert Renfrow	Magistrate
Larry Cooper	Magistrate

Other Elected Officials:

Vicki Hayden	County Attorney
Mike Horn	Jailer
Lynn Lane	County Clerk
Faye Oldham	Circuit Court Clerk
Todd Cooper	Sheriff
Anita Campbell	Property Valuation Administrator
Robert Morrow	Coroner

Appointed Personnel:

Belinda Sullivan O'Neil	County Treasurer
Leslie Story	Finance Officer

BALLARD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

BALLARD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,095,851	\$ 6,982	\$ 1,102,833
Total Current Assets	1,095,851	6,982	1,102,833
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	221,845		221,845
Buildings	2,956,301		2,956,301
Vehicles and Equipment	480,185	10,959	491,144
Infrastructure	1,169,290		1,169,290
Total Noncurrent Assets	4,827,621	10,959	4,838,580
Total Assets	5,923,472	17,941	5,941,413
LIABILITIES			
Current Liabilities:			
Bonds Payable	335,000		335,000
Financing Obligations Payable	191,901		191,901
Total Current Liabilities	526,901		526,901
Noncurrent Liabilities:			
Bonds Payable	1,480,000		1,480,000
Financing Obligations Payable	319,072		319,072
Total Noncurrent Liabilities	1,799,072		1,799,072
Total Liabilities	2,325,973		2,325,973
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	\$ 2,501,648	\$ 10,959	\$ 2,512,607
Fund Balances			
Restricted:		6,982	6,982
Social Services	1,596		1,596
Protection to Persons and Property	8,186		8,186
General Health and Sanitation	41,971		41,971
Debt Service	208,522		208,522
Unassigned	835,576		835,576
Total Net Assets	\$ 3,597,499	\$ 17,941	\$ 3,615,440

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

BALLARD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

		Program Revenues Received			
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,623,547	\$ 1,115	\$ 136,199	\$ 128,922	
Protection to Persons and Property	1,990,013	778,734	234,161	89,009	
General Health and Sanitation	145,485	24,370	144,823		
Social Services	280,437			276,398	
Recreation and Culture	25,515				
Roads	1,665,683		1,194,803		
Interest on Long-term Debt	100,911				
Capital Projects	11,500				
Total Governmental Activities	5,843,091	804,219	1,709,986	494,329	
Business-type Activities:					
Jail Canteen	7,569	6,907			
Total Business-type Activities	7,569	6,907			
Total Primary Government	\$ 5,850,660	\$ 811,126	\$ 1,709,986	\$ 494,329	

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
In-Lieu-Of Taxes
Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BALLARD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,357,311)	\$	\$ (1,357,311)
(888,109)		(888,109)
23,708		23,708
(4,039)		(4,039)
(25,515)		(25,515)
(470,880)		(470,880)
(100,911)		(100,911)
(11,500)		(11,500)
(2,834,557)		(2,834,557)
	(662)	(662)
	(662)	(662)
(2,834,557)	(662)	(2,835,219)
915,864		915,864
9,464		9,464
17,286		17,286
1,240,911		1,240,911
9,811		9,811
29,431		29,431
28,033		28,033
239,410		239,410
33,756		33,756
2,523,966		2,523,966
(310,591)	(662)	(311,253)
3,908,090	18,603	3,926,693
\$ 3,597,499	\$ 17,941	\$ 3,615,440

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

BALLARD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road Fund	Jail Fund	Community Development Block Grant Fund	Public Properties Fund
ASSETS					
Cash and Cash Equivalents	\$ 852,176	\$ 3,835	\$ 10,398	\$ 1,596	\$ 208,522
Total Assets	<u>852,176</u>	<u>3,835</u>	<u>10,398</u>	<u>1,596</u>	<u>208,522</u>
FUND BALANCES					
Restricted For:					
Social Services				1,596	
Protection to Persons and Property					
General Health and Sanitation		41,971			
Debt Service					208,522
Assigned To:					
Recreation and Culture					
Protection to Persons and Property	49,116		10,398		
Debt Service	526,901				
Unassigned	<u>276,159</u>	<u>(38,136)</u>			
Total Fund Balances	<u>\$ 852,176</u>	<u>\$ 3,835</u>	<u>\$ 10,398</u>	<u>\$ 1,596</u>	<u>\$ 208,522</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,095,851
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	9,277,993
Accumulated Depreciation	(4,450,372)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(510,973)
Bonds	<u>(1,815,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,597,499</u>

The accompanying notes are an integral part of the financial statements.

BALLARD COUNTY**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****June 30, 2011****(Continued)**

Total Non-major Funds	Total Governmental Funds
<u>\$ 19,324</u>	<u>\$ 1,095,851</u>
<u>19,324</u>	<u>1,095,851</u>
	1,596
8,186	8,186
	41,971
	208,522
11,138	11,138
	59,514
	526,901
	238,023
<u>11,138</u>	<u>845,576</u>
<u>\$ 19,324</u>	<u>\$ 1,095,851</u>

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BALLARD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	General Fund	Road Fund	Jail Fund	Community Development Block Grant Fund
REVENUES				
Taxes	\$ 2,212,900	\$	\$	\$
In Lieu Tax Payments	9,811			
Excess Fees	28,033			
Licenses and Permits	1,115			
Intergovernmental	219,344	1,339,626	466,714	276,398
Charges for Services	379,660		44,250	
Miscellaneous	171,049	44,911	46,218	
Interest	21,686	157	32	
Total Revenues	<u>3,043,598</u>	<u>1,384,694</u>	<u>557,214</u>	<u>276,398</u>
EXPENDITURES				
General Government	1,101,923			
Protection to Persons and Property	498,603		791,540	
General Health and Sanitation	33,514	102,852		
Social Services	3,864			276,573
Recreation and Culture	135,256			
Roads		1,411,869		
Debt Service		165,615		
Capital Projects				
Administration	700,840	250,075	223,391	
Total Expenditures	<u>2,474,000</u>	<u>1,930,411</u>	<u>1,014,931</u>	<u>276,573</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>569,598</u>	<u>(545,717)</u>	<u>(457,717)</u>	<u>(175)</u>
Other Financing Sources (Uses)				
Transfers To Other Funds	(1,161,839)	(112,973)		
Transfers From Other Funds	227,973	443,000	435,000	1,000
Governmental Leasing Act Receipts	118,000	97,436		
Total Other Financing Sources (Uses)	<u>(815,866)</u>	<u>427,463</u>	<u>435,000</u>	<u>1,000</u>
Net Change in Fund Balances	(246,268)	(118,254)	(22,717)	825
Fund Balances - Beginning	1,098,444	122,089	33,115	771
Fund Balances - Ending	<u>\$ 852,176</u>	<u>\$ 3,835</u>	<u>\$ 10,398</u>	<u>\$ 1,596</u>

The accompanying notes are an integral part of the financial statements.

BALLARD COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Public Properties Fund	Total Non-major Funds	Total Governmental Funds
\$	\$	\$ 2,212,900
		9,811
		28,033
		1,115
128,922	128,191	2,559,195
		423,910
	1,602	263,780
11,881		33,756
<u>140,803</u>	<u>129,793</u>	<u>5,532,500</u>
		1,101,923
	34,499	1,324,642
	9,119	145,485
		280,437
		135,256
		1,411,869
402,491	51,003	619,109
	11,500	11,500
8,735	9,943	1,192,984
<u>411,226</u>	<u>116,064</u>	<u>6,223,205</u>
<u>(270,423)</u>	<u>13,729</u>	<u>(690,705)</u>
	(174,000)	(1,448,812)
265,839	76,000	1,448,812
		215,436
<u>265,839</u>	<u>(98,000)</u>	<u>215,436</u>
(4,584)	(84,271)	(475,269)
213,106	103,595	1,571,120
<u>\$ 208,522</u>	<u>\$ 19,324</u>	<u>\$ 1,095,851</u>

The accompanying notes are an integral part of the financial statements.

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**BALLARD COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

BALLARD COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (475,269)
<p>Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	258,436
Depreciation Expense	(396,520)
<p>The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have no Effect on Net Assets.</p>	
Financing Obligation Proceeds	(215,436)
<p>Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a use of Current Financial Resources.</p>	
Financing Obligations Principal Payments	325,000
Bond Principal Payments	193,198
	<hr/>
Change in Net Assets of Governmental Activities	<u><u>\$ (310,591)</u></u>

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

BALLARD COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 6,982
Total Current Assets	<u>6,982</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	31,929
Less Accumulated Depreciation	<u>(20,970)</u>
Total Noncurrent Assets	<u>10,959</u>
Total Assets	<u>17,941</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	10,959
Restricted	<u>6,982</u>
Total Net Assets	<u><u>\$ 17,941</u></u>

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BALLARD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 6,907
Total Operating Revenues	<u>6,907</u>
Operating Expenses	
Educational and Recreational	747
Depreciation	4,562
Miscellaneous	<u>2,260</u>
Total Operating Expenses	<u>7,569</u>
Operating Income (Loss)	<u>(662)</u>
Change In Net Assets	(662)
Total Net Assets - Beginning	<u>18,603</u>
Total Net Assets - Ending	<u><u>\$ 17,941</u></u>

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BALLARD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Receipts From Customers	\$ 6,907
Cash Payments For Educational and Recreational	(747)
Cash Payments For Miscellaneous	(2,260)
Net Cash Provided (Used) By Operating Activities	<u>3,900</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,900
Cash and Cash Equivalents - July 1	<u>3,082</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 6,982</u></u>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (662)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>4,562</u>
Net Cash Provided By Operating Activities	<u><u>\$ 3,900</u></u>

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

BALLARD COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Agency Funds	
	Inmate Fund	Medical Reimbursement Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 3,512	\$ 15,407
Total Assets	<u>3,512</u>	<u>15,407</u>
Liabilities		
Amounts Held In Custody For Others	<u>3,512</u>	<u>15,407</u>
Total Liabilities	<u>3,512</u>	<u>15,407</u>
Net Assets		
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Ballard County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Ballard County Public Properties Corporation

The Ballard County Fiscal Court appoints a voting majority of the Ballard County Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Ballard County Public Properties Corporation.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Ballard County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Ballard County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Ballard County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department of Local Government requires a separate fund or where management requires that a separate fund be used for some function. The Ambulance Fund and Occupational Tax Fund will also be reported as General Fund.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Community Development Block Grant – The purpose of this fund is to account for the activity for a scattered site federal housing project. The county contracted with the Purchase Area Development District to administer this federal grant. The Department of Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court. The Department for Local Government does not require the fiscal court to report or budget these funds.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Disaster Emergency Services Fund and Library Tax Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Disaster Emergency Services Fund and Community Development Block Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Debt Service Fund:

The Library Tax Fund and the Ballard County Public Properties Corporation are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency funds are used to account for monies held by the county in the Inmate Account and Employee Medical Reimbursement Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds (Continued)

The primary government reports the following fiduciary funds:

Jail Inmate Fund - This fund is maintained by the Ballard County Jailer and accounts for monies belonging to the individuals incarcerated at the Ballard County Detention Center.

Medical Reimbursement Fund – This fund was established to account for a flexible spending account offered to the Ballard County employees. If an employee elects not to participate in the County's health insurance program, their employer's monthly health premium contribution is deposited and held in their name to be used by the employee for qualifying medical expenses.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land	\$ 25,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 25,000	3-10
Vehicles	\$ 25,000	1-10
Infrastructure	\$ 25,000	10-30

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the county judge/executive to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Department for Local Government does not require the Public Properties Corporation to be budgeted because debt payments are budgeted in other funds and transferred to the Public Properties Corporation.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Ballard County Fiscal Court: Ballard County Industrial Development, Ballard County Water Districts, and Ballard County Fire Departments.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following is considered a jointly governed organization of the Ballard County Fiscal Court: Ballard County Park & Recreational Board.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Fiscal Court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2010, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$95,053

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 221,845	\$	\$	\$ 221,845
Total Capital Assets Not Being Depreciated	221,845			221,845
Capital Assets, Being Depreciated:				
Buildings	5,773,558	118,000		5,891,558
Vehicles and Equipment	1,666,179	140,435		1,806,614
Infrastructure	1,357,976			1,357,976
Total Capital Assets Being Depreciated	8,797,713	258,435		9,056,148
Less Accumulated Depreciation For:				
Buildings	(2,724,613)	(210,644)		(2,935,257)
Vehicles and Equipment	(1,185,819)	(140,610)		(1,326,429)
Infrastructure	(143,420)	(45,266)		(188,686)
Total Accumulated Depreciation	(4,053,852)	(396,520)		(4,450,372)
Total Capital Assets, Being Depreciated, Net	4,743,861	(138,085)		4,605,776
Governmental Activities Capital Assets, Net	\$ 4,965,706	\$ (138,085)	\$	\$ 4,827,621

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 145,098
Recreation and Culture	5,900
Roads	101,175
Protection to Persons and Property	144,347
Total Depreciation Expense - Governmental Activities	<u>\$ 396,520</u>

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for Business-Type Activities for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 31,929	\$	\$	\$ 31,929
Total Capital Assets Being Depreciated	31,929			31,929
Less Accumulated Depreciation For:				
Vehicles and Equipment	(16,408)	(4,562)		(20,970)
Total Accumulated Depreciation	(16,408)	(4,562)		(20,970)
Total Capital Assets, Being Depreciated, Net	15,521	(4,562)		10,959
Business-Type Activities Capital Assets, Net	<u>\$ 15,521</u>	<u>\$ (4,562)</u>	<u>\$</u>	<u>\$ 10,959</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Business-Type Activities

Protection to Persons and Property (Jail Commisary)	<u>\$ 4,562</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 4,562</u>

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Interfund Receivables, Payables, and Transfers

	General Fund	Road Fund	DES Fund	Total Transfers In
General Fund	\$	\$ 112,973	\$ 115,000	\$ 227,973
Road Fund	439,000		4,000	443,000
Jail Fund	380,000		55,000	435,000
Library Fund	76,000			76,000
CDBG Fund	1,000			1,000
PPC Fund	265,839			265,839
Total Transfers Out	<u>\$1,161,839</u>	<u>\$ 112,973</u>	<u>\$ 174,000</u>	<u>\$ 1,448,812</u>

Note 5. Long-term Debt

A. General Obligation Detention Facility Refinancing Bonds, Series 2002

Ballard County issued General Obligation Detention Facility Refinancing Bonds, Series 2002, dated October 1, 2002, for the purpose of 1) advance refunding all of the outstanding Series 1995A bonds issued by the Ballard County Public Properties Corporation; and, 2) paying the cost of issuance on the bonds. As of June 30, 2005, the Series 1995A bonds had been called. Ballard County issued \$2,070,000 of refinancing bonds, the proceeds of which were used to discharge all prior bonds. As of June 30, 2011, outstanding bond principal was \$740,000. Future principal and interest requirements are:

Fiscal Year Ended		
June 30	Principal	Interest
2012	\$ 170,000	\$ 28,790
2013	180,000	22,500
2014	190,000	15,660
2015	200,000	8,250
	<u>\$ 740,000</u>	<u>\$ 75,200</u>

B. Courthouse Facility First Mortgage Refunding Revenue Bonds, Series 2007

The Ballard County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds, Series 2007, dated February 8, 2007, for the purpose of 1) advance refunding all of the outstanding Series 1995B bonds issued by the Ballard County Public Properties Corporation; and, 2) paying the cost of issuance on the bonds. As of June 30, 2007, the Series 1995B bonds had been called. Ballard County issued \$1,675,000 of refinancing bonds, the proceeds of which were used to discharge all prior bonds. As of June 30, 2011, outstanding bond principal was \$1,075,000. Future principal and interest requirements are:

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

B. Courthouse Facility First Mortgage Refunding Revenue Bonds, Series 2007 (Continued)

Fiscal Year Ended June 30	Principal	Interest
2012	\$ 165,000	\$ 36,726
2013	170,000	30,654
2014	175,000	24,335
2015	180,000	17,768
2016-2017	385,000	14,531
	<u>\$ 1,075,000</u>	<u>\$ 124,014</u>

C. Financing Agreement - Road Project #1

On November 1, 2000, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the financing of a road paving project to be located and used in Ballard County, Kentucky. The principal of the lease is \$500,000 with repayment to be made over a ten year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2011, the financial obligation was paid in full and the note was retired.

D. Financing Agreement - Road Project #2

On October 1, 2007, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the financing of a road paving project to be located and used in Ballard County, Kentucky. The principal of the lease is \$650,000 with repayment to be made over a seven year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2011, outstanding lease principal was \$341,126. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2012	\$ 95,136	\$ 12,489
2013	101,140	8,509
2014	107,522	4,282
2015	37,328	443
	<u>\$ 341,126</u>	<u>\$ 25,723</u>

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

E. Financing Agreement - Recycling Equipment

On May 15, 2008, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of recycling equipment to be used in the Ballard County. The principal of the lease is \$45,000 with repayment to be made over a five year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2011, outstanding lease principal was \$18,436. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2012	\$ 9,404	\$ 791
2013	9,032	382
	<u>\$ 18,436</u>	<u>\$ 1,173</u>

F. Financial Agreement – Tractor Mower

On August 11, 2010, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of a tractor mower to be used in the Ballard County. The principal of the lease is \$97,436 with repayment to be made over a five year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2011, outstanding lease principal was \$82,578. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2012	\$ 18,527	\$ 3,402
2013	19,318	2,535
2014	20,143	1,632
2015	21,003	690
2016	3,587	21
	<u>\$ 82,578</u>	<u>\$ 8,280</u>

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 905,000	\$	\$ 165,000	\$ 740,000	\$ 170,000
Revenue Bonds	1,235,000		160,000	1,075,000	165,000
Financing Obligations	488,735	97,436	144,031	442,140	123,068
Governmental Activities					
Long-term Liabilities	<u>\$ 2,628,735</u>	<u>\$ 97,436</u>	<u>\$ 469,031</u>	<u>\$ 2,257,140</u>	<u>\$ 458,068</u>

Note 6. Short-term Debt

A. Financial Agreement – Library

On January 25, 2011, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of the library building in Ballard County. The principal of the lease is \$118,000 with repayment to be made over a one year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2011, outstanding lease principal was \$68,833.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2012	\$ 68,833	\$ 997
	<u>\$ 68,833</u>	<u>\$ 997</u>

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Short-term Debt (Continued)

B. Changes In Short-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Financing Obligations	\$	\$ 118,000	\$ 49,167	\$ 68,833	\$ 68,833
Governmental Activities Short-term Liabilities	<u>\$</u>	<u>\$ 118,000</u>	<u>\$ 49,167</u>	<u>\$ 68,833</u>	<u>\$ 68,833</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent. The county's contribution for FY 2009 was \$388,290, FY 2010 was \$443,888 and FY 2011 was \$364,066.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

For the fiscal year ended June 30, 2011, the Ballard County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2011, Ballard County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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**BALLARD COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2011

BALLARD COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Disaster Emergency Services Fund	Library Tax Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 8,186	\$ 11,138	\$ 19,324
Total Assets	<u>8,186</u>	<u>11,138</u>	<u>19,324</u>
FUND BALANCES			
Restricted For:			
Protection to Persons and Property	8,186		8,186
Assigned To:			
Debt Service	<u> </u>	<u>11,138</u>	<u>11,138</u>
Total Fund Balances	<u>\$ 8,186</u>	<u>\$ 11,138</u>	<u>\$ 19,324</u>

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2011

BALLARD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Disaster Emergency Services Fund	Library Tax Fund	Total Non-Major Governmental Funds
REVENUES			
Intergovernmental	\$ 128,191	\$	\$ 128,191
Miscellaneous	1,602		1,602
Total Revenues	<u>129,793</u>	<u></u>	<u>129,793</u>
EXPENDITURES			
Protection to Persons and Property	34,499		34,499
General Health and Sanitation	9,119		9,119
Debt Service		51,003	51,003
Capital Projects		11,500	11,500
Administration	7,584	2,359	9,943
Total Expenditures	<u>51,202</u>	<u>64,862</u>	<u>116,064</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>78,591</u>	<u>(64,862)</u>	<u>13,729</u>
Other Financing Sources (Uses)			
Transfers From Other Funds		76,000	76,000
Transfers To Other Funds	(174,000)		(174,000)
Total Other Financing Sources (Uses)	<u>(174,000)</u>	<u>76,000</u>	<u>(98,000)</u>
Net Change in Fund Balances	(95,409)	11,138	(84,271)
Fund Balances - Beginning	103,595		103,595
Fund Balances - Ending	<u>\$ 8,186</u>	<u>\$ 11,138</u>	<u>\$ 19,324</u>

The accompanying notes are an integral part of the financial statements.

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BALLARD COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2011

BALLARD COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 963,374	\$ 963,374	\$ 971,989	\$ 8,615
In Lieu Tax Payments	15,056	15,056	9,811	(5,245)
Excess Fees	32,000	32,000	28,033	(3,967)
Licenses and Permits	800	800	1,115	315
Intergovernmental Revenue	2,080,332	100,786	147,335	46,549
Miscellaneous	175,879	175,879	82,013	(93,866)
Interest	2,400	2,400	112	(2,288)
Total Revenues	3,269,841	1,290,295	1,240,408	(49,887)
EXPENDITURES				
General Government	902,222	926,325	879,724	46,601
Protection to Persons and Property	28,828	28,828	22,691	6,137
General Health and Sanitation	24,873	24,873	15,664	9,209
Social Services	1,987,046	7,500	3,864	3,636
Recreation and Culture	50,000	50,000	135,256	(85,256)
Debt Service	365,500	137,809		137,809
Administration	601,485	785,073	515,760	269,313
Total Expenditures	3,959,954	1,960,408	1,572,959	387,449
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(690,113)	(670,113)	(332,551)	337,562
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(114,225)	(114,225)	(347,000)	(232,775)
Transfers From Other Funds	404,338	404,338	527,973	123,635
Borrowed Money	350,000	350,000		(350,000)
Governmental Leasing Act Receipts			118,000	118,000
Total Other Financing Sources (Uses)	640,113	640,113	298,973	(341,140)
Net Changes in Fund Balance	(50,000)	(30,000)	(33,578)	(3,578)
Fund Balance - Beginning	50,000	50,000	38,431	(11,569)
Fund Balance - Ending	\$ 0	\$ 20,000	\$ 4,853	\$ (15,147)

BALLARD COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 847,065	\$ 994,065	\$ 1,339,626	\$ 345,561
Miscellaneous	169,888	281,711	44,911	(236,800)
Interest	15,000	15,000	157	(14,843)
Total Revenues	1,031,953	1,290,776	1,384,694	93,918
EXPENDITURES				
General Health and Sanitation	84,728	132,144	102,852	29,292
Roads	960,413	1,575,427	1,411,869	163,558
Debt Service	170,873	493	68,179	(67,686)
Administration	289,000	256,549	250,075	6,474
Total Expenditures	1,505,014	1,964,613	1,832,975	131,638
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(473,061)	(673,837)	(448,281)	225,556
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(112,973)	(112,973)
Transfers From Other Funds	278,061	278,061	443,000	164,939
Borrowed Money	185,000	185,000		(185,000)
Total Other Financing Sources (Uses)	463,061	463,061	330,027	(133,034)
Net Changes in Fund Balance	(10,000)	(210,776)	(118,254)	92,522
Fund Balance - Beginning	10,000	10,000	122,089	112,089
Fund Balance - Ending	\$ 0	\$ (200,776)	\$ 3,835	\$ 204,611

Reconciliation To Statement of Revenues, Expenditures And Changes In Fund Balances

Total Expenditures - Budgetary Basis	\$ 1,832,975
Debt Service	97,436
Total Expenditures - Modified Cash Basis	<u>\$ 1,930,411</u>
Total Other Financing Sources (Uses) - Budgetary Basis	\$ 330,027
Governmental Leasing Act Receipts	97,436
Total Other Financing Sources (Uses) - Modified Cash Basis	<u>\$ 427,463</u>

BALLARD COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 552,155	\$ 611,380	\$ 466,714	\$ (144,666)
Charges for Services	69,937	69,937	44,250	(25,687)
Miscellaneous	57,904	57,904	46,218	(11,686)
Interest	60,208	983	32	(951)
Total Revenues	740,204	740,204	557,214	(182,990)
EXPENDITURES				
Protection to Persons and Property	853,741	840,238	791,540	48,698
Administration	242,176	255,679	223,391	32,288
Total Expenditures	1,095,917	1,095,917	1,014,931	80,986
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(355,713)	(355,713)	(457,717)	(102,004)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	354,652	354,652	435,000	80,348
Total Other Financing Sources (Uses)	354,652	354,652	435,000	80,348
Net Changes in Fund Balance	(1,061)	(1,061)	(22,717)	(21,656)
Fund Balance - Beginning	1,061	1,061	33,115	32,054
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,398	\$ 10,398

BALLARD COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$	\$ 1,979,546	\$ 276,398	\$ (1,703,148)
Total Revenues		1,979,546	276,398	(1,703,148)
EXPENDITURES				
Social Services		1,979,546	276,573	1,702,973
Total Expenditures		1,979,546	276,573	1,702,973
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			(175)	(175)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			1,000	1,000
Total Other Financing Sources (Uses)			1,000	1,000
Net Changes in Fund Balance			825	825
Fund Balance - Beginning			771	771
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,596	\$ 1,596

BALLARD COUNTY
NOTES TO OTHER INFORMATION

June 30, 2011

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The differences in the amounts reported for the General Fund in the budgetary schedule to the General Fund for governmental activities is due to the Ambulance Fund and Occupational Tax Fund being reported within the General Fund per GASB 54. Reconciliation of these amounts follows:

BALLARD COUNTY
NOTES TO OTHER INFORMATION
June 30, 2011
(Continued)

Reconciliation To Statement of Revenues, Expenditures, and Changes In Fund Balances

	General Fund (Budgetary)	Ambulance Fund (Budgetary)	Occupational Tax Fund (Budgetary)	Total General Fund
REVENUES				
Taxes	\$ 971,989	\$	\$ 1,240,911	\$ 2,212,900
In Lieu Tax Payments	9,811			9,811
Excess Fees	28,033			28,033
Licenses and Permits	1,115			1,115
Intergovernmental Revenue	147,335	11,009	61,000	219,344
Charges for Services		379,660	62,816	442,476
Miscellaneous	82,013	26,220		108,233
Interest	112	27	21,547	21,686
Total Revenues	<u>1,240,408</u>	<u>416,916</u>	<u>1,386,274</u>	<u>3,043,598</u>
EXPENDITURES				
General Government	879,724		222,199	1,101,923
Protection to Persons and Property	22,691	475,912		498,603
General Health and Sanitation	15,664		17,850	33,514
Social Services	3,864			3,864
Recreation and Culture	135,256			135,256
Administration	515,760	110,850	74,230	700,840
Total Expenditures	<u>1,572,959</u>	<u>586,762</u>	<u>314,279</u>	<u>2,474,000</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(332,551)</u>	<u>(169,846)</u>	<u>1,071,995</u>	<u>569,598</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(347,000)	(19,000)	(1,273,840)	(1,639,840)
Transfers From Other Funds	527,973	178,000		705,973
Governmental Leasing Act Receipts	118,000			118,000
Total Other Financing Sources (Uses)	<u>298,973</u>	<u>159,000</u>	<u>(1,273,840)</u>	<u>(815,867)</u>
Net Changes in Fund Balance	(33,578)	(10,846)	(201,845)	(246,269)
Fund Balance - Beginning	<u>38,431</u>	<u>59,962</u>	<u>1,000,052</u>	<u>1,098,445</u>
Fund Balance - Ending	<u>\$ 4,853</u>	<u>\$ 49,116</u>	<u>\$ 798,207</u>	<u>\$ 852,176</u>

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Vickie Viniard, Ballard County Judge/Executive
Members of the Ballard County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 25, 2012. Ballard County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Ballard County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ballard County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ballard County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ballard County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2011-01, 2011-02, and 2011-03 to be material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2011-04 and 2011-05 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ballard County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2011-01, 2011-02, 2011-04, 2011-05, 2011-06, 2011-07, and 2011-08.

The Ballard County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the comments and recommendations. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

May 25, 2012

**BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2011

BALLARD COUNTY COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2011

FINANCIAL STATEMENT FINDINGS:

2011-01 The Fiscal Court Should Properly Account For And Report The Public Properties Corporation Fund

The Fiscal Court should maintain proper accounting records for the Public Properties Corporation-Debt Service Fund. Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation, it is reported as a blended component unit of the Fiscal Court. In accordance with KRS 68.210, the Fiscal Court should maintain a receipt and disbursement ledger, reconcile ledgers to bank statements and prepare an annual financial statement for the Public Properties Corporation. We recommend the Fiscal Court properly account for and report the Public Properties Corporation Fund in the future.

County Judge/Executive Vickie Viniard's Response: "This issue has already been addressed. The fiscal court approves the Public Properties each month and is included in the minutes."

2011-02 The Fiscal Court Should Properly Account For And Report The Community Development Block Grant Fund

The Fiscal Court should maintain proper accounting records for the Community Development Block Grant Fund. Since the Fiscal Court is financially accountable for the receipts and disbursements of the grant, these transactions should be recorded on the county's books as required by KRS 68.210. The Fiscal Court should require grant administrator to submit monthly bank reconciliations, supporting documentation prior to issuing grant payments, and monthly financial information reporting amount of grant funds received and expended. We recommend that the Fiscal Court properly account for and report the Community Development Block Grant Fund in the future.

County Judge/Executive Vickie Viniard's Response: "The CDBG is closed out. The PADD office administers the grant. The PADD is looking into this matter."

2011-03 The Jailer Has A Lack Of Segregation Of Duties Over Jail Canteen Operations

The Jailer lacks an adequate segregation of duties over the jail canteen operations. The Jailer is responsible for all collection, recording and reporting functions.

Segregation of duties over the collections of receipts, deposit preparation, bank reconciliations, and other accounting functions is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately prevent the misappropriation of assets, we recommend the Jailer separate the duties of collecting receipts, deposit preparation, bank reconciliations and other accounting functions. If these duties cannot be separated due to limited staff, then strong oversight should be provided to employee or employees responsible for these duties.

County Jailer Mike Horn's Response: "As Jailer I will maintain and record all receipts and checks for purchase from the Canteen Fund. My Bookkeeper will provide oversight of the bank account, compare written checks with receipts which I have recorded and make all bank deposits. This should provide accountability against mistakes and misuse of the canteen fund."

BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2011-04 The Fiscal Court Should Maintain A Complete And Accurate Schedule Of Capital Assets

According to the County Budget Manual issued by the Department for Local Government, the Fiscal Court is required to maintain an up-to-date list of capital assets purchased and sold. For fiscal year 2011 the fiscal court did not update the capital asset list with any additions or deletions. We recommend that a listing of additions and deletions of capital assets be updated on a regular basis.

County Judge/Executive Vickie Viniard's Response: "Will comply."

2011-05 The Fiscal Court Should Submit A Schedule Of Leases And Liabilities To The Department For Local Government

The Department for Local Government requires the Fiscal Court to submit a schedule of leases and liabilities along with the quarterly financial report. For fiscal year 2011 the fiscal court did not submit a schedule of outstanding debt to the Department for Local Government. We recommend the Fiscal Court include a schedule of leases and liabilities with the quarterly financial report submitted to the Department for Local Government as required.

County Judge/Executive Vickie Viniard's Response: "Unaware of other lease agreements had to be reported. We do report our bonds with DLG."

2011-06 The Fiscal Court Should Approve All County Employees' Compensation Rates In Accordance With KRS 64.530

Each county employee's salary or hourly rate is currently being approved by fiscal court through the approval of the original budget. According to KRS 64.530(1), each employee or county officer is required to have his/her compensation approved by Fiscal Court each year. In order to comply with this statute, we recommend that at the beginning of each fiscal year, a list of each employee, by *job position*, along with his/her pay, be listed and approved by fiscal court. This list when approved by Fiscal Court should be documented in the Fiscal Court Order Book.

County Judge/Executive Vickie Viniard's Response: "This has already been addressed and corrected."

2011-07 The Fiscal Court Should Publish Annual Financial Statement As Required By KRS 424.220

According to KRS 424.220, the Fiscal Court is required to annually publish its financial statement. For fiscal year 2011, the Fiscal Court did not have the financial statement published as required. We recommend that the Fiscal Court comply with KRS 424.220 by having the financial statement published or the annual audit report.

County Judge/Executive Vickie Viniard's Response: "The court does report this annually. There was a change in personnel that possibly caused this issue."

BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2011-08 The Jailer Should Comply With KRS 441.125 By Properly Accounting For And Reporting Jail
 Canteen Fund

KRS 441.135(2) states the jailer shall keep books of accounts of all receipts and disbursements from the jail canteen and shall annually report to the county treasurer on the canteen account. The jailer did not make timely deposits, maintain supporting documentation for expenses or report canteen activities to the county treasurer for fiscal year 2011. We recommend that the jailer comply with KRS 441.135 by making timely deposits, maintaining supporting documentation for all expenses, and annually report canteen activities to county treasurer.

County Jailer Mike Horn's Response: "As Jailer I will make the annual report of the canteen fund in writing to the Fiscal Court in open court session for public documentation."

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